ANNUAL REPORT

OF THE

PRINCE EDWARD ISLAND

LOTTERIES COMMISSION

FOR THE YEAR ENDING

MARCH 31, 2001

102-04614/

TO HIS HONOUR

THE HONOURABLE J. LEONCE BERNARD
Lieutenant Governor of the Province of
Prince Edward Island

May It Please Your Honour:

In accordance with the Lotteries Commission Act [R.S.P.E.I. 1988, Cap. L-17], I respectfully submit herewith, for the information of Your Honour and the Legislature of Prince Edward Island, the Annual Report of the Prince Edward Island Lotteries Commission for the fiscal year ended 31 March, 2001.

I have the honour to be Sir:

Your Obedient Servant,

Patricia J. Mella

Patricia J. Mella
Chairperson
P.E.I. Lotteries Commission

COMMISSION DES LOTERIES DE L'ÎLE-DU-PRINCE-ÉDOUARD

RAPPORT ANNUEL

Pour l'exercice financier se terminant le 31 mars 2001

VUE D'ENSEMBLE DE L'ANNÉE FINANCIÈRE 2000-2001

HISTORIQUE

La Commission des loteries de l'Î.-P.-É. a été créée en 1976 en vertu de la *Lotteries Commission Act* (Loi sur la Commission des loteries). La Commission a pour mandat de concevoir, de structurer, de lancer, de diriger et de gérer les systèmes de loterie au nom de la province. En retour, la Commission a délégué ces tâches à son mandataire, la Société des loteries de l'Atlantique Inc.

La Corporation des loteries de l'Atlantique a été incorporée en 1976 en vertu de la *Loi canadienne sur les sociétés par actions*. La Corporation est la propriété conjointe des quatre provinces de l'Atlantique. Chaque province a mis en place des lois sur les loteries et les jeux de hasard, auxquelles la Corporation des loteries de l'Atlantique doit se conformer dans les jeux de loterie qu'elle exploite sur le territoire de chaque province.

ENTENTE UNANIME DES ACTIONNAIRES MODIFIÉE ET REFORMULÉE

Tel que mentionné dans le rapport annuel de l'an dernier, les quatre actionnaires de la Corporation des loteries de l'Atlantique commençaient les négociations d'une nouvelle entente des actionnaires à la fin de l'exercice financier 1999-2000. Ces négociations se sont poursuivies au cours de l'été 2000 et se sont conclues par l'ébauche d'une nouvelle entente unanime des actionnaires modifiée et reformulée.

Par la suite, l'ébauche d'entente a reçu les approbations requises des provinces actionnaires, notamment de l'Île-du-Prince-Édouard. Par décret du lieutenant-gouverneur en conseil portant le numéro EC2000/380, le trésorier provincial a été autorisé, au nom de la Commission des loteries de l'Île-du-Prince-Édouard, à signer la nouvelle entente entre les trois autres provinces atlantiques et la Corporation des loteries de l'Atlantique. La nouvelle entente a été validée par les parties intéressées le 8 août 2000, et elle est entrée en vigueur le 1er avril 2000.

La signature de la nouvelle entente unanime des actionnaires modifiée et reformulée représente un renouvellement très significatif de la part des quatre provinces de l'Atlantique qui s'engagent à poursuivre leur collaboration dans l'exploitation des jeux de loterie dans toute la région. La Commission des loteries de l'Î.-P.-É. est entièrement convaincue que cette approche coopérative commune fournit le meilleur arrangement commercial pour toutes les parties ainsi que le meilleur rendement financier aux actionnaires et, en retour, à la population du Canada atlantique.

COURSES SOUS HARNAIS

À la fin de l'année financière 1999-2000, la Corporation des loteries de l'Atlantique a mis fin à son engagement de deux ans. Le retrait du soutien de la Corporation a laissé un vide dans cette activité économique et culturelle importante à l'Île-du-Prince-Édouard. En réponse à la situation, la Commission des loteries, au cours du dernier exercice financier, a fourni une aide de 944 000 $ à l'industrie des courses sous harnais, à partir des revenus générés par le programme des loteries. La Commission voit son aide comme une initiative importante de soutien à cette industrie en croissance et de renforcement de la position de celle-ci comme industrie viable et qui contribue grandement à l'économie de l'Île.

RÉSULTATS FINANCIERS

Durant l'exercice financier 2000-2001, les revenus reçus, pour répartition à l'Île-du-Prince-Édouard, de l'exploitation des jeux de loterie de l'Atlantique par la Corporation des loteries, se sont élevés à 15 118 209 $. Cette somme représente une augmentation de 1 145 946 $ ou de 8 % par rapport au nombre comparable (c.-à-d. avant les coûts de la Corporation relatifs aux courses sous harnais) de l'exercice financier de 1999-2000 qui était de 13 972 263 $. La croissance du pourcentage en revenus était bien équilibrée entre les billets et les produits de la loterie vidéo, les deux augmentant d'un peu plus de 8 %.

Les revenus reçus par l'Île-du-Prince-Édouard des jeux de loterie tombent dans les recettes générales de la province. À ce titre, l'argent reçu sert à financer les nombreux services importants dont les Insulaires ont besoin et qu'ils s'attendent à recevoir de leur gouvernement provincial.

Le tableau 1 qui apparaît à la page suivante fournit des renseignements comparatifs pour l'Île-du-Prince-Édouard à propos des profits bruts par type de programme pour les exercices financiers de 1999-2000 et de 2000-2001.

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

ANNUAL REPORT

For the Fiscal Year Ending 31 March 2001

OVERVIEW FOR FISCAL YEAR 2000-2001

BACKGROUND

The P.E.I. Lotteries Commission was established in 1976 under the *Lotteries Commission Act*. The Commission's mandate is to develop, organize, undertake, conduct and manage lottery schemes on behalf of the Province. The Commission has, in turn, delegated these duties to its agent, the Atlantic Lottery Corporation.

The Atlantic Lottery Corporation was incorporated in 1976 under the *Canada Business Corporation's Act*. The Corporation is jointly owned by the four Atlantic Provinces. Each Province has lottery and gaming legislation in place, with supporting regulations, which must be complied with by the Atlantic Lottery Corporation in its operation of lottery games in each jurisdiction.

AMENDED AND RESTATED UNANIMOUS SHAREHOLDERS' AGREEMENT

As noted in last year's Annual Report, the four shareholders of the Atlantic Lottery Corporation were commencing negotiations on a new Shareholders' Agreement at the close of the 1999-2000 fiscal year. These negotiations continued into the summer of 2000 and concluded with a draft of a new Amended and Restated Unanimous Shareholders' Agreement.

The draft Agreement subsequently received the necessary approvals from the shareholder provinces including Prince Edward Island. By Lieutenant Governor in Council Order EC2000/380, the Provincial Treasurer was authorized, on behalf of Prince Edward Island Lotteries Commission, to enter into the new Agreement with the other three Atlantic Provinces and the Atlantic Lottery Corporation. The new Agreement was properly executed by the involved parties on August 8, 2000, with effect from April 1, 2000.

The signing of the new Amended and Restated Unanimous Shareholders' Agreement marks a very significant recommitment and renewal by the four Atlantic Provinces of continued cooperation in the operation of lottery gaming throughout the region. The Prince Edward Island Lotteries Commission fully believes this joint, cooperative approach provides the best business arrangement for all parties and the best financial returns to the shareholders and, in turn, the people of Atlantic Canada.

HARNESS RACING

The Atlantic Lottery Corporation terminated its two-year involvement with the harness racing industry at the end of fiscal year 1999-2000. The withdrawal of ALC support left a void in this very important economic and cultural activity on Prince Edward Island. In response to this situation, the Lotteries Commission provided $944,000 in assistance to the harness racing industry this past fiscal year from revenues generated through the lotteries program. The Commission sees this support as a significant initiative in assisting the industry in growing and strengthening its position as a viable industry and an important contributor to the Island's economy.

FINANCIAL PERFORMANCE

Revenue received for distribution to Prince Edward Island from Atlantic Lottery Corporation operation of lottery games during fiscal year 2000-01 totalled $15,118,209. This amount is an increase of $1,145,946 or 8.2% over the comparable figure (i.e. before ALC harness racing costs) for fiscal 1999-2000 of $13,972,263. The percentage growth in revenue was evenly balanced between ticket and video lottery products with both growing at slightly more than 8%.

The revenue received by Prince Edward Island from lottery games is placed in the Province's general revenues. As part of the Province's general revenues, this money is used to help fund the many important services Islanders require and expect from their Provincial Government.

Table 1 on the following page provides comparative information for Prince Edward Island on gross profit by program type for fiscal years 1999-2000 and 2000-01.

TABLE 1

ALLOCATION OF GROSS PROFIT BY

GAME TYPE - PRINCE EDWARD ISLAND

(MILLIONS)

	2001			2000		
	Video Lottery $	Ticket Games $	Total $	Video Lottery $	Ticket Games $	Total $
Gross ticket sales	-	31.7	31.7	-	28.5	28.5
Net video lottery receipts	14.6	-	14.6	13.2	-	13.2
	14.6	31.7	46.3	13.2	28.5	41.7
Direct Expenses:						
Prizes on ticket sales	-	17.2	17.2	-	15.4	15.4
Commissions	5.5	2.3	7.8	5.0	2.0	7.0
Ticket printing	-	0.9	0.9	-	0.7	0.7
	5.5	20.4	25.9	5.0	18.1	23.1
Gross Profit	9.1	11.3	20.4	8.2	10.4	18.6

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

1. COMMISSION ESTABLISHED

The Lotteries Act (L.P.E.I. 1976, Cap. 20), enacted by the Legislative Assembly at its 1976 Session and given Royal Assent on 22 April 1976, provided for the establishment of a P.E.I. Lotteries Commission. The Act was proclaimed via Order-in-Council No. EC673/76 for effect on 24 July 1976.

2. OFFICERS AND MEMBERS

As of March 31, 2001, the members and officers of the P.E.I. Lotteries Commission were: Honourable Patricia J. Mella, Chair, Michael L. O'Brien, Vice-Chair, and Ginger Breedon, Secretary-Treasurer.

Mr. O'Brien and Mr. Breedon were also Prince Edward Island's representatives as Directors on the Atlantic Lottery Corporations's Board of Directors.

3. BYLAWS OF THE COMMISSION

In addition to the requirements of the Lotteries Act, the Commission is governed by its Bylaws which were approved by the Lieutenant Governor in Council on 26 August 1976 via EC794/76.

4. AGREEMENTS

As provided in Section 7 of the Act, subsections (b) and (c), the Commission has recommended three agreements for the consideration of the Lieutenant Governor in Council, all of which were approved and subsequently entered into by the Commission.

1. EC796/76 of 26 August 1976, an agreement with the Provinces of Nova Scotia, New Brunswick and Newfoundland to establish and operate a regional lottery.

2. EC797/76 of 26 August 1976, an agreement for the establishment of the Atlantic Lottery Corporation.

3. EC2000/380 of 4 July 2000, an agreement to amend and restate the unanimous Shareholders' Agreement governing the conduct and management of lottery schemes in the Atlantic Provinces.

5. LOTTERIES OPERATED OR SANCTIONED

The P.E.I. Lotteries Commission did not, itself, operate any lotteries during the fiscal year 2000-2001. However, a number of lottery games sanctioned by the Commission and developed and managed by the Atlantic Lottery Corporation were in operation during the fiscal year. These included Loto 6/49, Super 7, TAG, Pik 4, Atlantic Choice, Sports Select and various instant pick/breakopen games.

On-line video lotteries are also available.

6. FINANCIAL REPORT

The Financial Statements of the Prince Edward Island Lotteries Commission, as prepared by the Auditor General's Office, follow as part of this report.

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2001

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

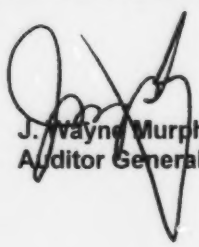
AUDITOR'S REPORT

To the Members of the
Prince Edward Island Lotteries Commission

I have examined the balance sheet of the Prince Edward Island Lotteries Commission as at March 31, 2001 and the statement of operations for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2001 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



J. Wayne Murphy, FCA
Auditor General

Charlottetown, Prince Edward Island
June 6, 2001

STATEMENT 1

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

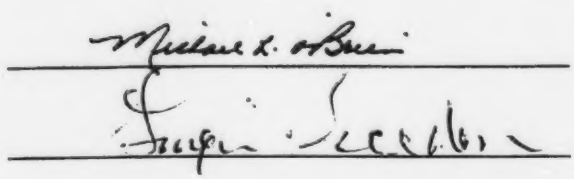
BALANCE SHEET

MARCH 31, 2001

	2001	2000
ASSETS		
CURRENT ASSETS		
Due from Atlantic Lottery Corporation Inc.	$280,196	$ -
Due from Province of Prince Edward Island	-	399,207
	280,196	399,207
OTHER ASSETS		
Share in Atlantic Lottery Corporation Inc. - at cost	100	100
Share in Interprovincial Lottery Corporation - at cost	1	1
	101	101
	$280,297	$399,308
LIABILITIES		
CURRENT LIABILITIES		
Due to Atlantic Lottery Corporation Inc.	$ -	$399,308
Due to Province of Prince Edward Island	280,297	-
	$280,297	$399,308

(The accompanying note is an integral part of these financial statements.)

SIGNED ON BEHALF OF THE COMMISSION:



STATEMENT 2

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2001

	2001	2000
REVENUE		
Distribution of Atlantic Lottery Corporation Inc. net profit - Note 1	$15,118,209	$12,500,560
EXPENSES - Note 1		
Remittance to Province of Prince Edward Island	14,174,209	12,500,560
Grant to P.E.I. Harness Racing Industry Association	944,000	-
	15,118,209	12,500,560
NET OF REVENUE AND EXPENSES	$ -	$ -

(The accompanying note is an integral part of these financial statements.)

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

NOTE TO FINANCIAL STATEMENTS

MARCH 31, 2001

1. Description of Business

The Government of Prince Edward Island operates no lotteries but the Province, through its ownership of the Prince Edward Island Lotteries Commission, is a shareholder in the Atlantic Lottery Corporation Inc. (ALC) and in the Interprovincial Lottery Corporation (ILC). The ALC is jointly owned by the four Atlantic Provinces and is responsible to develop, organize, undertake, conduct and manage lotteries in Atlantic Canada. The ALC also markets and handles regionally the products of the ILC, which is jointly owned by the ten Canadian provinces. Investments in the ALC and in the ILC are carried at cost.

Net profits of the ALC, including the ILC operating results, are distributed monthly to the shareholders. Operational costs attributable to all provinces are subtracted from total revenues. The remaining profits are allocated to the individual provinces on the basis of each province's portion of net sales. Expenses separable and specific to each individual province are then subtracted and each province's balance is paid out. Profits received by the Commission from the ALC are remitted to the Province of Prince Edward Island.

Prior to April 1, 2000, the ALC provided assistance to the Maritime Provinces' harness racing industry and such expenditures were included in the ALC expenses specific to each province. The ALC's role in the harness racing industry came to an end March 31, 2000. In response to the ALC's discontinued participation in the harness racing industry, during the year ended March 31, 2001 the Commission provided the industry $944,000 in assistance from its lotteries revenue. The Commission's share of ALC profit before harness racing industry expenditures was $13,972,263 for the comparative year ended March 31, 2000.